

GI LOANS

for veterans



Questions & Answers

VETERANS ADMINISTRATION
WASHINGTON 25, D. C.

November 1954

Foreword

The questions answered in this pamphlet are those most commonly asked by veterans in connection with the guaranty or insurance of loans under the Servicemen's Readjustment Act of 1944, as amended. Under the law the Veterans Administration is authorized to guarantee or insure home, farm, and business loans made to World War II veterans, by lending institutions. Loans guaranteed by the Veterans Administration are commonly referred to as "GI loans."

This pamphlet is not a legal document and should not be interpreted as one. Nothing herein should be taken as changing the Act or Regulations. It does not attempt to go into detail or into unusual problems. It is suggested that the pamphlet be read in its entirety. Any questions which you have which are not answered in the pamphlet should be referred to the Loan Guaranty Officer at the nearest regional office of the Veterans Administration or to your lender who will take them up with the Veterans Administration, if necessary.

The right to obtain a GI loan is to continue until July 1957 for most World War II veterans. However, a veteran who enlisted or reenlisted in the Regular Military or Naval Establishment during the period October 6, 1945 to October 5, 1946, inclusive, has until 10 years from the date his enlistment ends to obtain a GI loan.

An Act of Congress dated July 16, 1952, extended similar benefits to those veterans whose entitlement was derived from active service on or after June 27, 1950, and may be used at any time within 10 years after such date as shall be later determined by the President or Congress.

The GI loan benefit is a valuable asset and no veteran should use his entitlement until he is sure that he has a good buy and that he has the financial ability to keep up the payments on the loan. Remember that a GI loan is not a gift. The loan must be repaid by the veteran. If he does not do so and the VA has to pay the lender, the veteran will then owe the Government the amount the VA has had to pay out for him. The veteran should be sure the loan will be a benefit and not a burden to him.

Another important point should be remembered. The appraisal report by an appraiser approved by the Veterans Administration can indicate only a price which is reasonable for the veteran to pay for the property at the time the appraisal is made. An appraisal cannot indicate whether the veteran's purchase is wise or unwise, or what the resale value may be at some future time, or whether, in the case of a farm or business loan, the veteran can repay the loan from the earnings of the farm or business. In this connection, advice as to the possibilities for conducting successful farming operations can be secured from the County Agricultural Extension Agent in the county where the farm is located and the local Chamber of Commerce and Better Business Bureau should be consulted for advice concerning business ventures.

RESCISSION. VA Pamphlet 4-1, Revised June 1954.

NOTICE

An amendment to the GI bill approved August 2, 1954, provides that each eligible veteran has aggregate entitlement of \$7,500 for home loan purposes. This \$7,500, of course, is subject to reduction on account of all entitlement heretofore or hereafter used in connection with GI loans.

If you are a veteran who, prior to August 2, 1954, used less than \$7,500 of his loan benefits in connection with a home loan and you wish to obtain advice as to whether you have any loan benefits remaining available for use as a result of the August 2, 1954, amendment, you may obtain such advice by contacting your local VA regional office, making available to that office your original discharge or separation papers and any Certificate(s) of Eligibility, VA Form 4-1870, previously issued to you.

If you have not previously obtained a GI loan or applied for a Certificate of Eligibility, VA Form 4-1870, and you are planning to seek a GI loan from a private lender for home, farm, or business purposes, you should apply to a Veterans Administration regional office in advance for a Certificate of Eligibility.

6 steps in arranging a Veteran's Loan . . .



**1. Find the Property Suitable
for Your Needs.**



**2. Go to a Bank or Other
Lending Agency.**



**3. Present Your Plan and
Original Discharge.**



**4. Property Is Appraised by
Approved Appraiser.**



**5. Certificate of Reasonable
Value Goes to Lender**



**6. If Application Is Approved
You Get the Loan.**

Questions and Answers

on Guaranteed and Insured Loans for Veterans

1. What is meant by guaranty or insurance of a loan?

A lending institution (such as a bank, savings and loan association, insurance company, or mortgage company) makes the loan to the veteran. The Veterans Administration enters into an agreement with the lender to guarantee or insure a loan up to a certain amount, so the lender will probably not suffer any loss in the event the veteran fails to repay the loan.

2. For what purpose may a veteran get a GI loan?

To buy a home.

To build a home.

To repair, alter, or improve a home.

To buy a farm, livestock, equipment, supplies, or for working capital.

To construct a farmhouse or other buildings on a farm.

To repair, alter, or improve farmhouse or outbuildings.

To improve farm land or equipment.

To conduct farming operations.

To purchase stock in a cooperative association where the purchase of such stock is required by Federal law in connection with obtaining a farm loan.

To buy a business.

To buy a building or land for business purposes.

To buy business supplies and inventory.

To buy machinery, tools, and equipment for operating a business.

To construct, repair, or improve a business building or personal property.

To obtain working capital for a business. (Business includes a profession.)

3. Can a veteran get a GI loan to pay off a debt in good standing?

Generally no, except in certain cases where the existing debt represents temporary financing. (Consult your lender.)



4. Can a veteran get a guaranteed or insured loan to pay off a debt that is past due?

Yes, under certain conditions. However, loans for the purpose of paying household expenses such as doctor bills, grocery bills, furniture bills, rent, etc., are not eligible for guaranty or insurance by the Veterans Administration. (For full information, consult your lender.)

5. Is a loan guaranteed or insured under the Act a gift?

No. It must be repaid. If the United States Government pays the guaranteed part of the loan to the lender, the veteran is obligated to the Government for that part of the loan it has paid to the lender.

6. What are the benefits to the veteran of a GI loan?

The security a veteran can offer a lender is strengthened by the fact that the credit of the United States Government stands behind the loan. Because of the protection of the VA guaranty the veteran does not have to make as large a down payment as is usually required. A further benefit to the veteran is that the interest rate on a loan guaranteed by

the Veterans Administration may not exceed 4½ percent per annum.

7. Does it make any difference to the veteran whether the lender uses the guaranty or insurance plan?

Yes, in some types of loans, less of the veteran's entitlement is used if his loan is insured (15 percent) and the balance is still available for his use in some future transaction, whereas if his loan is guaranteed, in most cases, all of his entitlement is used. Many lenders cannot use the insurance plan, but it is to the veteran's interest if this plan is followed. (Your local VA regional office, Loan Guaranty Division, may be able to give you the names of lenders who will make loans on the insurance plan.)

8. Are there any charges made for obtaining a GI loan?

The VA makes no charge for guaranteeing or insuring a loan. No commission or brokerage fees may be charged to a veteran for securing a GI loan. However, the lender may charge reasonable closing costs usually paid by a borrower. These items in the case of a home loan are limited to VA appraisal, survey, title evidence, and recording fees. In home loans, the lender, as provided in schedules issued by VA, may also make a reasonable flat charge to cover the costs of originating the loan. Such flat charge may also be made in farm and business real-estate loans.

9. Who may have a loan guaranteed or insured under the Act?

The following are eligible for guaranteed or insured loans:

a. A veteran who served at any time between September 16, 1940, and July 25, 1947, and was discharged under conditions other than dishonorable after at least 90 days active service (or for service-incurred disability in less than 90 days).

b. A veteran whose entitlement was derived from active service on or after June 27,

1950, and may be used at any time within 10 years after such date as shall be determined by the President or Congress. The minimum term of active service is the same as that required for World War II veterans, i. e., 90 days or discharge by reason of disability.

c. Unremarried widows of men who served during either of the periods referred to above and who died as the result of service.

d. Any member of the Women's Army Auxiliary Corps who served for at least 90 days and who was honorably discharged therefrom for disability incurred in the line of duty rendering her physically unfit to perform further service in the Women's Army Auxiliary Corps or in the Women's Army Corps. (This applies only to persons so discharged from the Women's Army Auxiliary Corps prior to the integration of that corps into the Women's Army Corps, pursuant to Public Law 110, 78th Congress.)

e. Certain United States citizens who served in the armed forces of a government allied with the United States in World War II.

10. Are veterans of World War I eligible for GI loans?

No.

11. May children of deceased veterans obtain a guaranteed or insured loan?

No.



12. May several veterans use their entitlement to acquire property together?

Yes. (Consult your lender.)

13. If both a husband and wife are eligible veterans, may they acquire property jointly and so increase the amount which may be guaranteed?

Yes. However, the guaranty may not exceed 50 percent of the loan, except as shown in the answer to question 20 with respect to residential property.

14. May a veteran join with a nonveteran in obtaining a GI loan?

Yes, but the amount of the loan on which the guaranty or insurance is based is in proportion to the veteran's interest in the loan. The guaranty or insurance cannot extend to any portion of the loan which may constitute all or part of the nonveteran's contribution to the enterprise.

15. Will a veteran be able to get a GI loan indefinitely?

No. Applications by World War II veterans must be made within 10 years from July 25, 1947, the end of World War II for the purposes of the Act, except that individuals who enlisted in the Regular Military or Naval Establishment during the period from October 6, 1945, to October 5, 1946, inclusive, have 10 years from the end of their enlistments. Veterans whose entitlement is derived from active service on or after June 27, 1950, may apply at any time within 10 years after such date as shall be determined by Presidential proclamation or by concurrent resolution of the Congress.

16. What is the largest amount a veteran can borrow and have the loan guaranteed or insured?

The amount of the loan obtainable ordinarily will depend on the amount of money the lender is willing to lend. The limitation is upon the amount of guaranty or insurance credit that can be issued upon the loan.

17. What is meant by a real-estate loan?

Any loan to purchase real estate improved or to be improved, to pay the cost involved in the construction of a building, or to purchase unimproved land to be used for business or farming operations.

18. For what term of years can a GI home or business real-estate loan be made?

Up to 30 years under the law.



19. For what term of years can a GI farm real-estate loan be made?

Up to 40 years. (Consult your lender.)

20. How much of a real-estate loan can be guaranteed?

Real-estate loans for home purposes (i. e., purchase, construction, alteration, improvement, or repair) may be guaranteed up to a maximum of \$7,500. Real-estate loans for farm or business purposes may be guaranteed up to a maximum of \$4,000.

21. What is meant by a non-real-estate loan?

Any loan for purchasing property other than real estate, such as machinery, tools, and equipment, and for working capital required in the operation of a farm or a business.

22. For what term of years can a GI non-real-estate loan be made?

Up to 10 years. (Consult your lender.)

23. How much of a non-real-estate loan can be guaranteed?

The guaranteed portion of a non-real-estate loan may be 50 percent of the amount of the

loan with a maximum of \$2,000, for each veteran participating in the loan.

24. What is meant by a combination loan?

Any loan used to purchase both real estate and non-real estate.

25. Can a veteran obtain in one State a loan for the purchase of property in another State?

Yes. However, generally lenders confine their lending operations to certain areas.

26. Can a veteran obtain a GI loan for the purchase of property or to engage in a business or in farming in a foreign country?

No. Real property and the principal place of any business or farming enterprise must be located in the United States, its territories, or possessions.

27. Is a veteran entitled to a GI loan while receiving other benefits of the Act, such as educational or readjustment allowance benefits?

Yes, provided he can qualify for the loan.



28. If a veteran is homesteading, may he secure a guaranteed or insured loan?

Yes, under certain conditions. (Consult your lender.)

29. Can a veteran obtain a GI loan to buy or establish a farm or business that he intends to operate on a part-time basis?

Yes.

30. Must a veteran live on the farm he buys with a guaranteed or insured loan?

No, but the veteran must at least supervise the farming operations.

31. Can a veteran get a GI loan to buy or construct a residential property containing more than one family unit?

Yes, but the total number of separate units cannot be more than four if one veteran is buying. If more than one veteran is buying, then one additional family unit may be added to the basic four for each veteran participating; thus one veteran could buy four units, two veterans six units, three veterans seven units, etc.



32. Can a loan to buy an automobile for pleasure purposes only be guaranteed or insured?

No. If, however, an automobile is found to be essential to the veteran's business or farming operations, the loan may be guaranteed or insured.

33. Can a loan be guaranteed for the purchase of a cooperatively owned apartment or business?

Yes, under certain circumstances (see your lender who will consult a regional office of the Veterans Administration, if necessary).

34. Does the VA make loans direct to eligible veterans?

Yes, under certain conditions. The Administrator of Veterans' Affairs is authorized to make direct loans for a limited time and under certain fund limitations to veterans in certain designated areas of the country where private capital is not available for GI loans, provided (1) that the veteran has not previously used any of his entitlement, (2) that the loan does not exceed \$10,000, (3) that each direct loan is made for the purpose of financing the construction or purchase of a dwelling to be owned and occupied by the veteran as a home, or to finance the construction or improvement of a farmhouse. Of course, the veteran must be a satisfactory credit risk. These direct loans are different from guaranteed or insured loans in that guaranteed or insured loans are made by private lending institutions.

35. Where may money be borrowed under the Act?

Money may be borrowed where people normally go to obtain loans—banks, building and loan associations, insurance companies, public and private lending agencies, or individuals who are in a position to properly look after the loan.

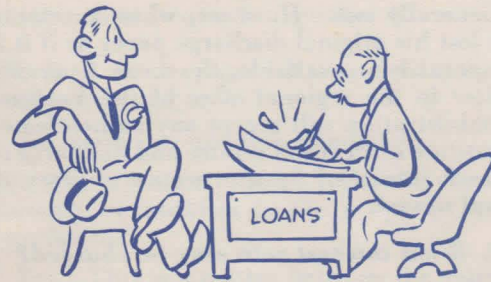
36. How may a veteran find a lender?

By inquiring in the community in which he lives as to the lenders in his area who make the type of loan he wishes to obtain. Information as to who makes farm loans may be obtained usually from the County Agricultural Extension Agent and information concerning business and home loans may be obtained from the local chamber of commerce, or by inquiring at banks, savings and loan associations, mortgage and insurance companies, and other public and private lending agencies.

37. Can Federal agencies make loans to be guaranteed by VA?

Yes, some do. For example, the Small Business Administration makes guaranteed busi-

ness loans under certain circumstances.



38. Where may a veteran get the forms required to apply for a GI loan?

Lenders generally have the forms and other necessary papers and will fill them out for veterans. Any lender who does not have the forms may obtain them from the nearest regional office of the Veterans Administration.

39. If a lender turns down a veteran's application for a loan, what should the veteran do?

He should see another lender. The fact that one lender is not interested in making the particular type of loan the veteran wants does not preclude the possibility that another may be.

40. What papers should a veteran take to the lender when he goes to apply for a loan?

All original discharge papers, reports of separation, and/or any certificate of eligibility which may have previously been issued to him. A certificate of eligibility may be obtained at any regional office of the Veterans Administration.

41. What must a veteran do if he has lost his original discharge papers?

He must apply for a certificate in lieu of the discharge papers from the branch of the service from which he was discharged.

42. Will a certified true copy or a photostatic copy serve in the place of the original discharge paper?

Generally not. However, when a veteran has lost his original discharge paper or if it is temporarily unavailable, the Loan Guaranty Officer in the regional office of the Veterans Administration will accept any authenticated substitute evidence of service and discharge or release furnished by the proper military or naval service.

43. What interest rate may be charged?

The interest rate on a GI real-estate loan cannot exceed $4\frac{1}{2}$ percent per annum. The interest rate on a non-real-estate loan which is to be insured, instead of guaranteed, may be as much as 5.70 percent per annum.

44. Why is it necessary to have the property appraised?

The law requires that the purchase price of the property or the cost of construction, alteration, improvement, and repairs, must not be more than the reasonable value as determined by proper appraisal made by an appraiser designated by the Veterans Administration.

45. Is any down payment required to be made by a veteran for a GI home loan?

None, insofar as the Veterans Administration is concerned, on a guaranteed or insured loan. The down payment will be that amount which the lending institution may require. Your equity in land may be applied against the down payment required by your lender.

46. Is a down payment required in connection with a GI loan for the construction, repair, alteration, or improvement of a farmhouse?

Not by the VA, but the lender may require one.

47. Is a down payment required for a GI loan to purchase a farm which includes a farmhouse in which the veteran will reside?

See answer to question number 46.

48. Is a down payment required for GI business loans?

See answer to question number 46.

49. May a lender require from the veteran security in addition to the property being purchased?

Yes. This is a matter between the veteran and the lender. While the Veterans Administration does not require that additional security be taken, it does not object if the veteran is willing.



50. May a veteran pay off a GI loan before it becomes due?

Yes. A GI loan may be partially or fully paid at any time without penalty. (Consult your lender.)

51. What happens if the loan payments are not made?

Failure of the veteran to make his loan payments may lead to foreclosure and loss of his home. In addition, if the Government is required to pay a claim as a result of the veteran's failure to repay his loan the veteran will become indebted to the Government for the amount of any such claim.

52. *May the maturity on a GI loan be extended to reduce the monthly payments?*

Yes, provided the veteran and the lender want to extend it and the extension provides for complete repayment of the loan within the maximum period permitted for loans of its class.

53. *May a veteran transfer or sell the property purchased with a GI loan to another person?*

Yes, either to a veteran or a nonveteran. Such transfer does not require VA approval.

54. *Is it required that the existing GI loan be paid in full in order for the veteran to transfer or sell the property?*

No. The buyer may purchase the property subject to or by assumption of the existing GI mortgage debt.

55. *What is meant by the transfer or sale of property subject to an existing GI loan?*

The sale or transfer of property subject to an existing GI mortgage generally means that the purchaser does not become personally liable for repayment of the mortgage debt. The veteran still remains liable for the debt.

56. *What is meant by transfer or sale of property and assumption of an existing GI mortgage debt?*

The sale or transfer of property where the purchaser assumes the debt secured by the existing GI mortgage means that the purchaser becomes personally liable for repayment of the GI loan. The veteran remains personally liable also.

57. *When a veteran sells or transfers the property to another person subject to or with assumption of the existing GI mortgage, is the veteran thereby released from his personal liability for repayment of the loan?*

No. However, in certain cases the lender, with the prior approval of the VA, may consent to the release of the veteran's personal liability. (Consult your lender.)

58. *Generally, how may a veteran be released from all personal liability for repayment of a GI loan if he sells the property securing the GI loan to another person?*

By seeing that the GI loan is paid in full at the time of the sale. (Consult your lender.)

59. *If part of the veteran's entitlement has been used, how is the entitlement remaining figured?*

The remaining entitlement for home-loan purposes is \$7,500, less the amount which the veteran's entitlement for real-estate purposes is chargeable on account of prior loans. The precise amount of entitlement remaining for such loans and for all other types of loans must be figured in each case individually. (Your lender or the Loan Guaranty Officer at the VA regional office will help you with this question.)

60. *Is the veteran's guaranty entitlement restored to its original amount when the indebtedness is repaid?*

No.

61. *Is there any case where guaranty or insurance entitlement used in connection with a GI loan can be restored to the veteran's credit?*

Yes. If the property is destroyed or badly damaged by fire or other natural hazard, has been taken for public use by Federal or local Government, or is disposed of because of other compelling reasons which are not the fault of the veteran, it may be possible to exclude the guaranty entitlement previously used so that the veteran can obtain another GI loan. However, the Veterans Administration must be free from liability on the origi-

nal loan. (Further information will be supplied by your local VA regional office, Loan Guaranty Division, upon request.)

62. If a veteran used all or part of the \$2,000 maximum guarantee provided in the original GI Bill, does he receive any additional entitlement as a result of the several amendments which have been made in that Bill?

Yes. He is entitled to the remaining balance, if any, of the original \$2,000 plus an additional \$2,000 for real-estate loan purposes, authorized by the March 28, 1946, amendment, and if he has not subsequently used any entitlement, an additional increase of \$3,500 is available to him for a loan for the purchase or construction of a home or for the alteration, improvement, or repair of his home.



63. Does a veteran who has become eligible through discharge or separation from service lose his eligibility by return to active service in the Armed Forces?

No. If he has become eligible once, he remains so.

64. May a seller charge or may a veteran pay more for a property than it is appraised for by the VA?

No. Under the law, the purchase price may not exceed the reasonable value determined

by the Veterans Administration. Any side payment made by the veteran to evade this requirement of the law is illegal.

65. Is any protection against foreclosure afforded a veteran with a GI loan if he reenters service?

Yes. Under the Soldiers' and Sailors' Civil Relief Act, the lender and the borrower may, based upon the borrower's ability to pay, agree to a postponement of all or part of the loan payments during the borrower's military service and for a reasonable period thereafter.

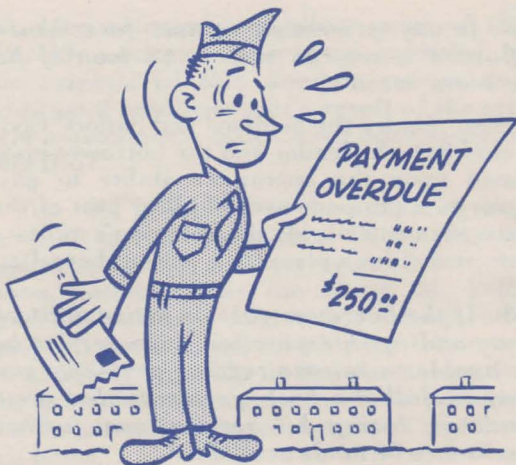
66. If the borrower goes on active military duty and upon separation from service he is unable to resume regular payments and pay in full the back payments that accumulated during his service, can further assistance be made available?

Yes. The payments may be reduced by extending the maturity of the loan.

67. May a veteran of World War II or a veteran who served on or after June 27, 1950, whose service-connected disability results in the loss or loss of use of both legs thereby making him eligible for assistance under the law providing Federal housing grants for "wheel-chair homes" also secure a GI loan?

Yes.

**Payments on Loans by Veterans
Who Reenter Service**



The Loan Guaranty Service of the Veterans Administration is doing everything possible to help those veterans who have been recalled to military service and are in trouble with their GI loans as a result. Here are some good pointers and some sound advice as to what you should do.

When you receive notice to report for military service go at once to the place where you make your mortgage payments and tell them about it. The holder of your mortgage may not be the one who originally made the loan, because the mortgage may have been bought by another bank, building and loan association, insurance company, or other institution, and they may have an agent to whom your payments are made.

The holder of the mortgage—or their agent, as the case may be—should be informed of your recall to military service and the effect, if any, on your ability to continue the payments required by your mortgage contract. Discuss your entire situation with him in detail, and if your total family income from service pay, allotments, and other sources will be insufficient to keep your payments up, make an arrangement to pay as much as you can. If you fail to do this your loan will be in default. The loan will not be in default if you pay according to such an arrangement while you are in military service. The part of the regular payment which you are unable to make will be postponed until after your discharge from service, and at that time you should again see the holder or the agent and make arrangements for a repayment schedule.

The Soldiers' and Sailors' Civil Relief Act of 1940 makes it possible for the courts to prevent foreclosure of your loan while you are in service and for 3 months

after your discharge, provided your income is so reduced that you cannot make the required payment. It does not operate to *forgive* the payments, and any part thereof which is postponed must be made up after your discharge. Therefore, it is wise to pay as much as you can, and put off as little as possible so that it will not be too much of a hardship to make up the amount deferred when the time comes.

If you are already in military service and your loan is in default because you have not made your payments or for any other reason, your wife or some other member of your family should go to the mortgage holder (or his agent) to explain the circumstances and make the arrangements for you.

Ordinarily, it will not be necessary that you see the Veterans Administration in regard to your loan. However, if you need assistance or advice for some reason, a letter may be directed to the Veterans Administration office which issued the guaranty of your loan. Address the letter to the Loan Guaranty Officer at that Veterans Administration regional office and include the following information:

- Full name of borrower(s).
- Your rank and military service unit.
- Your present mailing address.
- Name and address of holder of mortgage, or agent to whom payments are made.
- Address of mortgaged property.
- Loan number.

Finally, remember these points:

1. If you can keep up the required payments on your loan but fail to do so, you will be in default and your loan may be foreclosed.
2. If you cannot keep up the required payments on your loan, make definite arrangements with the holder of your mortgage to pay less than the required amount during your period of military service.
3. Pay as much as you can while you are in service so that you will have less to make up after you are discharged.
4. Keep the holder of your mortgage (or his agent) informed of your status as it affects your ability to pay, and see him soon after your discharge.
5. If you have agreed to pay a certain amount, be sure to make that payment regularly and then you need not worry about the loss of your property while you are away in the service of your country.